

Message Text

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DRAFTED BY M/MS:RGMAYS,JR.

APPROVED BY M/MS:RGMAYS,JR.

AF/EX - MR. PIPER (DRAFT)

SCA - MISS PANIZZA (SUBS)

DG/PER - MR. BISHTON (SUBS)

FRM/FM - MR. SMITH (SUBS)

IRS - MR. CHRISTY (DRAFT)

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R 182123Z DEC 73

FM SECSTATE WASHDC

TO AMEMBASSY PRETORIA

INFO AMCONSUL JOHANNESBURG

AMEMBASSY KINSHASA

AMEMBASSY LAGOS

AMEMBASSY MONROVIA

AMEMBASSY NAIROBI

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E.O. 11652 N/A

TAGS: OGEN, CASC, SF

SUBJECT: OPRED - PROPOSAL TO EXPAND OVERSEAS STAFF OF
INTERNAL REVENUE SERVICE.

1. CITING EXPANSION OF US TRADE AND INVESTMENT IN FOREIGN
COUNTRIES, INCLUDING AMERICAN OWNERSHIP AND CONTROL OF FOR-
EIGN CORPORATIONS, PLUS CONTINUING SUBSTANTIAL INCREASE IN
NUMBER OF AMERICANS LIVING ABROAD, TREASURY DEPARTMENT IS
REQUESTING AUTHORIZATION TO INCREASE THE NUMBER OF OVERSEAS
OFFICES AND PERSONNEL OF THE INTERNAL REVENUE SERVICE.

2. BASIC PURPOSES OF PROPOSED INCREASE ARE:

(A) TO PROVIDE NEEDED TAX INFORMATION AND ASSISTANCE
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TO THE ROUGHLY 340,000 AMERICAN HEADS OF HOUSEHOLD RESIDING

ABROAD AND APPROXIMATELY 40,000 FOREIGN CORPORATIONS
CONTROLLED OR INFLUENCED BY U.S. INTERESTS WORLDWIDE.

(B) TO COVER SOME LARGE AREAS CURRENTLY RECEIVING NO
COVERAGE, RAISE THE RATIO OF IRS PERSONNEL TO AMERICANS
RESIDING ABROAD, AND RELATE THE STAFF SIZE OF EACH OVERSEAS
OFFICE TO ITS CASELOAD.

(C) TO OVERCOME THE SERIOUS AND GROWING NON-COMPLIANCE
SITUATION IN WHICH NEARLY 50 PERCENT OF AMERICAN CITIZENS
ABROAD CURRENTLY FILE NO RETURNS, AND FAULTY REPORTING OF
TAXABLE INCOME IS AN INCREASINGLY SERIOUS PROBLEM.

(D) TO INTENSIFY FOREIGN AUDIT, COLLECTION AND
COLLATERAL INVESTIGATIONS ACTIVITIES.

(E) TO FACILITATE SETTLEMENT OF CASES INVOLVING
APPLICATION OF FOREIGN TAX LAWS AND TAX TREATIES TO U.S.
CITIZENS ABROAD AND, CONVERSELY, APPLICATION OF U.S. LAWS
AND TAX TREATIES TO FOREIGN NATIONALS.

3. ONE ASPECT OF EXPANSION PROPOSAL CALLS FOR ESTABLISHING
FIVE NEW OVERSEAS OFFICES, EACH HAVING ONE REVENUE
SERVICE REPRESENTATIVE-RSR, ONE ASSISTANT RSR AND ONE
AMERICAN CLERK, WITH ADJUSTMENTS IN TERRITORIAL JURISDI-
CTIONS NOW ASSIGNED TO SEVERAL EXISTING OFFICES. PROPOSAL
WOULD ESTABLISH AN OFFICE AT JOHANNESBURG TO COVER SOME
PARTS OF AFRICA PRESENTLY COVERED OUT OF ROME AND PROVIDE
COVERAGE FOR ADDITIONAL PARTS OF AFRICA NOT PRESENTLY
SERVICED. JOHANNESBURG OFFICE WOULD HAVE RESPONSIBILITY
FOR SOUTH AFRICA, ZAIRE, NIGERIA, LIBERIA, KENYA AND
POSSIBLY OTHER SUB SAHARAN COUNTRIES. MAJORITY OF U.S.
RESIDENTS IN THIS TERRITORY ARE IN SOUTH AFRICAN REPUBLIC.

4. IRS STATES THAT OPENING NEW OFFICES WOULD GO FAR TO
OVERCOME PRESENT HANDICAP OF EXCESSIVE TIME TRAVELLING
FACED BY AGENTS, PERMIT MORE THOROUGH COVERAGE OF
TERRITORIES, AND APPRECIABLY REDUCE THE LOPSIDED RATIO OF
TAXPAYERS TO IRS PERSONNEL OVERSEAS. SMALLER TERRITORIES
WOULD PERMIT SERVICE PERSONNEL TO IMPROVE THEIR FAMILIARITY
WITH THESE AREAS, INCREASE THEIR NUMBER OF USEFUL PERSONAL
CONTACTS AND KNOWLEDGE OF INVESTIGATIVE LEADS, PROVIDE
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MORE TIME AND BETTER BACKGROUND WITH WHICH TO INDOCTRINATE
VISITING AUDIT TEAMS, AND SIGNIFICANTLY STRENGTHEN
COLLECTION ACTIVITY WHICH IS NOW SERIOUSLY NEGLECTED
BECAUSE OF LIMITED MANPOWER. INCREASE IN IRS OFFICES AND
PERSONNEL WOULD PROMOTE SUBSTANTIALLY HIGHER LEVEL OF
VOLUNTARY COMPLIANCE AND SIGNIFICANT INCREASE IN REVENUE.
*HOULD ALSO ENABLE APPLICATION OF MORE IRS TIME TO LIAISON
WITH FOREIGN TAX DEPARTMENTS FOR NONCOMPLIANCE PURPOSES

AND TO AWSISTING U.S. TAXPAYERS IN DIFFICULTIES ARISING
FROM INTERACTION OF DIFFERENT TAX SYSTEMS.

5. IRS ESTIMATES OFFICE STAFF OF THREE WOULD NEED 800-
900 SQUARE FEET OF SPACE, PREFERABLY BUT NOT NECESSARILY
IN EMBASSY OR CONGEN. FURNATURE WOULD INCLUDE COMBINATION
SAFE. ANTICIPATE MINIMAL USE OF MISSION COMMUNICATION
WOULD COVER ADMINISTRATIVE SUPPORT COSTS UNDER SAS. ALLIRS
PERSONNEL WILL HAVE TOP SECRET CLEARANCES.

6. ACTION REQUESTED. COMMENTS ON IRS PROPOSAL BY ACTION
ADDRESSEE COM, INCLUDING ANY IMPACT ON MISSION'S ADMINIS-
TATIVE SUPPORT CAPABILITY, PLUS ATTITUDE OF HOST GOVERN-

MENT, TO WHICH INFORMAL APPROACH MAY BE MADE IF POST HAS
NO SERIOUS RESERVATIONS ABOUT PROPOSAL. RUSH

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